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**Iran: Possible Responses to a US
Scrapping of the JCPOA**

Alexander Greenberg

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Introduction

The Trump administration's decision to withdraw from the Iranian nuclear deal has put decision-makers in Tehran on the defensive. Though the prospect of such a move had been a predictable possibility for months, the nature of Iran's response has always been harder to anticipate. Indeed, one month after President Trump's decision, Iran's reaction remains unclear and a wide range of possibilities present themselves to observers of its complicated internal processes. On the one hand, Iranian Foreign Minister Mohammed Javad Zarif stated ahead of the decision that Iran would return to enrichment should the United States withdraw from the agreement.¹ However, once it had been made, Iranian President Hassan Rouhani suggested that the Joint Comprehensive Plan of Action (or JCPOA) could remain in place, provided other members of the P5+1 continue to meet their commitments. Fierce, multi-layered political and diplomatic wrangling is currently under way both internally among Iran's political rulers and also internationally, between Western allies and with other geopolitical players. As such, an accurate analysis of the situation as stands requires a snapshot of these forces and their potential consequences. However, before outlining detailed scenarios, it is important to understand some trends in Iran. These trends stem from various and conflicting tendencies within the Iranian political system, and are likely to impact Iran's behavior now that the JCPOA's future is uncertain.

Not all scenarios would be catastrophic or apocalyptic for Iran, or the Middle East as a whole. However, before outlining detailed scenarios, it is important to understand some trends in Iran. These trends stem from various and conflicting tendencies within the Iranian political system, and are likely to impact Iran's behavior now that the JCPOA's future is uncertain.

As the regime has yet to reveal its future steps, this paper endeavors to extrapolate the future of existing trends in order to predict Iranian behavior. Iran's reaction will be dependent upon the precise nature of what happens. In other words, the fate of the nuclear deal still matters, despite the decisions that have been taken in Washington. Will President Trump's declaration that the United States is withdrawing from the JCPOA be followed by Iran's withdrawal? Alternatively, will the agreement stagger on in some revised form, and continue to include the participation of Russia, China, France, Germany and the UK?

¹ Iran threatens to 'vigorously' resume enrichment if US quits nuclear deal, Times of Israel, April 22nd 2018, available at: <https://www.timesofisrael.com/iran-says-itll-resume-nuclear-program-at-greater-speed-if-us-exits-deal/>

Any decision about future Iranian strategy will not be taken in a vacuum, but rather, in light of pressing issues across the board. In spite of recent Iranian achievements in the region, the following should be kept in mind:

- Regionally, Iran continues to face difficult challenges in Syria and Iraq, and recent gains in both states were not achieved without cost. In Syria, a restive Sunni Arab majority population and Kurdish minority remain hostile to the Assad regime, and its Iranian patron. In Iraq, not all Iraqi Shi'ites are friendly towards Iran. The religious seminary of Najaf in Iraq is wary of the Iranian clerics of Qom and their theological aspirations. In addition, Iraq's Sunni Arab and much of its Kurdish minority are also hostile.
- Domestically, the Iranian population faces the most difficult challenges since the 1979 revolution. Among these are: depreciation of national currency; bad management of domestic political issues; a shortage of foreign investment; widespread corruption; drug addiction, and; pressing environmental issues. Any of these, or a combination of them, could affect Iranian society in such a way that it impacts upon the stability of the regime.
- The capacity of the regime to address major issues is close to zero. No significant change can be made without breaking the existing system, which is by its nature incapable of reform. Any decision about Iran's course in the post-JCPOA era will be taken by the Supreme Leader Ali Khamene'i and his closest confidantes, which include the Revolutionary Guards (IRGC). By contrast, President Rouhani's influence within the Iranian political system, already limited, looks set to decline.

Iranian domestic politics: case studies in crisis

All of these facts underscore the importance of the widespread protests in December and early January, which affected more than 100 towns and cities, and drew strength from popular anger at economic hardship and a lack of civil liberties. Although the authorities managed to maintain control in the face of unrest, the country has continued to witness sporadic protests. Videos of new protests across the country, led by farmers worried about the scarcity of water, factory workers whose salaries have been delayed for months, and individuals who invested money in private credit funds only to lose their investment, can be found on social media almost every day.

A report published by the Iranian parliament last year, warned that the Social Protection Organization, a public body that provides social security provisions for more than 42 million Iranians, was in danger of "going bankrupt within a decade", owing to a widening funding shortfall. Forsat, an economic daily, wrote last year that of the eighteen major pension funds available to Iranian workers, "only one or two are stable, and the rest are either facing an upcoming crisis or are already broke". Adding to the list of issues worrying Iran's rulers is the ongoing dip in the value of the national currency, the Rial. Shortly after the January protests, the Rial lost 25% of its value against the US dollar. In subsequent weeks, it lost a further 22%, setting a new low against major foreign currencies. For a country with a negative trade balance, the fall in the value of the Rial has meant higher prices in shops and supermarkets and more pressure on Iranian consumers.

The Rial's descent, which gathered pace in February, continued through March, when it passed the 50,000 mark against the dollar for the first time ever in the country's foreign exchange market. The Central Bank of Iran sought to stabilize the currency by issuing bonds, and temporarily allowing banks to increase rates on deposits in an attempt to draw investors away from the US dollar. However, throughout April the Iranian currency continued to lose its value against major foreign currencies. As late as April 9th, one US dollar traded at 61,000 Rials on the open market in Tehran. Most bureaux de change offices located in Ferdowsi Street in downtown Tehran, have suspended trading dollars and euros. Meanwhile, the Euro also hit a new record high against the Iranian currency, reaching almost 70,000 Rials. The Rial depreciation has been linked to various factors, though the primary cause throughout the course of the year has been the potential reintroduction of nuclear-related sanctions. Now that the US is pulling out of the nuclear deal, the Rial's fall could be set to accelerate.

In this context, the manager of Jam Petrochemical Company, Hossein Mirafzali, has been quoted as saying that the company will inject hard currency, "about 60 million dollars and euros in total". These funds, derived from petrochemical export revenues, would be intended to support the national economy and address the consequences wrought by "opportunists" and unauthorized currency dealers.² However, the effect of such unorthodox methods will be limited. With US sanctions now reimposed against Iran, the crisis will only intensify. Tehran has no tools at its disposal that are capable of bringing a swift resolution to the crisis, which is exacerbated by corruption, mismanagement and embezzlement.

President Rouhani has tried to reassure the population that the situation is under control, and that the government is formulating measures that will address the concerns of producers and activists. However, as tends to be the case, the regime's power centers blame foreigners for economic hardships, and focus on resolving tributary issues at the expense of core problems. For instance, law enforcement officials have conducted crackdowns on currency speculators and money changers, without clear criteria. The Supreme leader has blamed enemies and foreign intelligence services for the creation of the currency crisis. Iran's Central Bank announced earlier in the year that it will provide dollars at the rate of 4,200 Tomans, with one Toman equalling ten Rials, though only for commercial and business requirements. However, the problem is that the official rate has little influence on the rate of the US dollar on the black market.

If the economy faces a crisis following Washington's withdrawal from the JCPOA and oil exports do fall, more significant changes will be required. The IRGC might find it hard to maintain its support for the Assad government, the Houthis, Hezbollah, and Hamas. It may not renounce its strategic gains, but it could find that maintaining current policies will become more difficult. Against the background of a worsening economic situation, the regime will have to exercise more cautious control over its expenditure abroad.

Another major challenge threatening Iran is its looming water crisis. In 2013, Issa Kalantari, the chief of Iran's Environment Protection Organization, told the Ghanoon daily newspaper that water shortage was a more threatening issue for the country "than Israel, America or political in-fighting", adding that if not addressed, Iran would turn into a "ghost town in 30 years". According to figures published by Iran's Water Resource Management Company, more than 41% of the country is struggling with drought. Precipitation across the country has fallen by 46% in the last 50 years. Tehran has seen a 66% drop in rainfall in just a year.

² گرفت را دلار شدن گرانتر جلوی پتروشیمی ارزی عرضه <https://goo.gl/hwkBkE>

The agricultural sector, accounting for 13% of the country's GDP and 23% of its employment, is already suffering the consequences. Farmers in Isfahan province have been holding mass rallies for weeks, even turning their backs to a cleric during the weekly Friday prayer sermons in March.³ Last summer, Alaeddin Boroujerdi, chairman of parliament's National Security and Foreign Policy Committee, was quoted by reporters as saying that the water crisis in Iran has become "a national security issue".

All of these woes are exacerbated by Iran's slow-motion political crisis. Notably, President Rouhani failed to unite the conservative establishment elite behind his policies during the JCPOA era. The IRGC and its hardline supporters continued to oppose the nuclear agreement, and they will only intensify their attacks now that the deal is breaking down. Indeed, some hardliners are already calling on Rouhani to resign.

Iranian foreign policy: Aggression and Paranoia

Iran has achieved relative success in its regional policy. Seven years after the start of the Syrian crisis, President Bashar al-Assad, Iran and Hezbollah's key ally in the region, is on the verge of defeating the Sunni rebels arrayed against the Syrian regime, with the exception of those in the north, who have effectively become military contractors for Turkey.

Israel is directly confronting the IRGC in Syria. In February 2018, an Israeli F-16 jet was shot down by Syrian forces after conducting a raid against Iranian positions. Israel was blamed by Russia and Syria for an attack on a military airbase T-4, killing seven Iranian "advisors". The T-4 raid was the first time that Iran publicly reacted to what it saw as an Israeli attack in Syria and disclosed several names of its "advisors" in Syria. This behavior contrasts sharply with previous patterns of Iranian behavior in similar cases, which tended towards silence. While Israeli military strikes have blunted Iran's efforts to establish military bases near the Israeli border, there is ample scope for Tehran to redouble its efforts in the coming years, given the pliant nature of the regime in Damascus.

The rise of Saudi Crown Prince Mohammed bin Salman and his close relations with the White House have increased the possibility of the Saudis and Israel uniting against Iran. In unprecedented remarks published during his visit to Washington, the prince recognized the Jewish people's right to their own land, adding that both Israel and Saudi Arabia "have a common enemy" in the region. At the same time, the IRGC's support for the Shia Houthis in Yemen has prolonged the war, making the prospects of victory for Iran's regional arch-rival Saudi Arabia far more challenging.

In Washington, the confirmation of former CIA chief Mike Pompeo as Secretary of State and former UN ambassador John Bolton as National Security Adviser has completed the circle of Iran hawks close to the president. Months before the conclusion of the nuclear talks in 2015, Bolton stated the only way to stop Tehran's nuclear ambitions would be a direct military strike on its main nuclear sites, undertaken by either Israel or the US, along with "vigorous support for Iran's opposition, aimed at regime change in Tehran". Pompeo, an ardent opponent of the Iran deal, has fallen short of advocating regime change since joining the Trump administration,

³ زدند هم بر را جمعه نماز اصفهان کشاورزان <http://www.bbc.com/persian/iran-43434396>

but has confirmed that the US will seek to introduce the strongest sanctions in history.

In their own words: Iran's stance on the JCPOA prior to Trump's move to withdraw

Statements issued previously by leading Iranian officials from across the political spectrum suggest that Iran has no desire to drastically escalate a confrontation with the United States, before knowing the precise consequences of President Trump's decision to withdraw from the JCPOA. Now that Trump has done so, Iranian strategy will be the product of inter-regime bargaining, which will be difficult to gauge from outside. However, indications of what can be expected can be ascertained from assessing the views expressed by key figures ahead of time. On the occasion of the Nuclear Technology Day, a ceremony at which more than 80 ostensible achievements were unveiled, President Hassan Rouhani stressed that those violating the July 2015 nuclear deal "should know for certain that they will regret if they violate it. Our preparedness is greater than what they imagine. They will see the results in a week or less than a week, if they violate this agreement". Rouhani also emphasized that Iran would continue to build any kind of weapons it felt it needed for self-defense: "Our weapons and missiles are defensive. Certainly, we will build any kind of weapons we would need for defense from our country so as to stay secure in this insecure region and world". Interestingly, the President opened his speech with a citation of the 120th verse of the 2nd Sourah of Koran (al-Baqarah): "and the Jews will not be pleased with thee, nor will the Christians, till thou follow their creed. Say: Lo! the guidance of Allah (Himself) is Guidance." The president also praised the "martyrs of atom" (shuhaday-e haste'i) referring to nuclear scientists who were slain over recent years.⁴

Prior to President Trump's May announcement, Iranian Foreign Minister Javad Zarif said Tehran had a variety of options in store that would make the United States "regret" leaving the 2015 nuclear deal. Speaking to reporters in New York whilst attending a United Nations General Assembly meeting, Zarif stated that "Iran has a wide range of options both inside and outside of the JCPOA and surely, the reaction from Iran and the international community will be unpleasant for the Americans". He also threatened the resumption of Iran's nuclear program on an 'industrial scale'. Zarif also said that the administration of President Donald Trump had failed to stay true to its commitments, and that it was up to the European signatories of the deal to both preserve the agreement, and force Washington to abide by its obligations: "If the European countries want to preserve the deal they have to make it sustainable for Iran; they need to impose pressure on the United States in order to compel the US, encourage the US, to implement what it undertook under the deal. Unfortunately, it hasn't been doing that." Zarif also made it clear that although European officials had yet to suggest any plan that would include renegotiating the deal, such offers would "not get a positive answer" from the Islamic Republic, and that Tehran would make no "concessions" whatsoever. During his speech at the Council on Foreign Relations, Zarif stressed that at any rate Iran's reaction "will not be very pleasant for the United States".⁵

⁴ Rouhani's speech on the occasion of Nuclear Technology Day, 09 April, https://www.youtube.com/watch?v=6wysGi7A8xo&feature=push-u-sub&attr_tag=GC-0AYwNV6D1swjH-6

⁵ Zarif interviewed with American media, addressed Council on Foreign Relations in NY, <https://theiranproject.com/blog/2018/04/24/zarif-interviewed-with-american-media-addressed-council-on-foreign-relations-in-ny/>

Iran's deputy foreign minister and nuclear negotiator Abbas Araqchi dismissed the notion that Tehran is desperate to abide by the nuclear deal under any and all circumstances. During a visit to Norway on April 20th, he stated that "thinking that Iran will remain committed to the nuclear deal under just any circumstance is a big mistake." Araqchi has stressed that the accord is "first and foremost a security agreement", the failure of which will "weaken the non-proliferation system". He also warned that "efforts to link the JCPOA to other issues" will "further complicate" the Middle East's already complex situation. Araqchi also stressed that Iran is ready for any scenario.⁶ By referring to "other issues" Araqchi hinted that the inclusion of Iran's missile program - a subject of negotiations concerning a possible supplemental agreement, prior to Trump's decision to withdraw from the JCPOA - would be a non-starter for Iran.

Through a senior advisor, the Supreme Leader Ayatollah Ali Khamenei warned France and Britain against imposing new sanctions on Iran as a way to dissuade the US president from pulling out of the 2015 nuclear deal. Ali Akbar Velayati made the comments at an opening ceremony of an international Koran competition in Tehran on 19 April.: "It is not acceptable that Europeans, in order to dissuade him [Trump] from withdrawing from the JCPOA, [to] choose some methods, and France imposes some sanctions under the pretext of [Iran's] missile program and Britain restores the same sanctions under the pretext of [Iran's] presence in the region".⁷

After Trump's May decision, Khamene'i introduced new conditions for Iran remaining in the nuclear deal on May 23rd. The conditions were as follows:

- **Europe should make up for its "silence" despite measures taken by the US that "violated the letter and spirit of the deal"**
- **European powers should propose a resolution to the UN Security Council against Washington's "violation" of resolution 2231**
- **Leaders of the three European powers should "guarantee" not to mention Iran's ballistic missiles and regional policies.**
- **Europe should "explicitly confront" any US sanctions on Iran.**
- **Europe should provide "guarantees" that it would continue to buy "our oil according to our need" if the US succeeds in reducing Tehran's oil exports.**
- **European banks should "guarantee" public and private transactions with Iran.⁸**

⁶ است بزرگ اشتباهی مانند، می متعدد برجام به شرایطی هر در ایران که این تصور: عراقچی <https://goo.gl/EppZ1s>; <https://goo.gl/F1TZdE>

⁷ نماینده خالی را آن روح ولی کند حفظ را برجام پوسته دارد سعی آمریکا امروز <http://shabestan.ir/detail/News/700535>

⁸ اروپا با برجام ادامه برای انقلاب رهبر مهم شروط <https://goo.gl/WYMWj2>

These conditions, if applied, would exacerbate the conflict between Iran and the West. On the one hand Iran would be unlikely to content itself with European abidance by the agreement alone, and on the other hand, most of the conditions advanced by the Supreme Leader are unacceptable for Europe. For example, European governments cannot order their banks and companies to guarantee public and private transactions with Iran.

Conflicting visions of the JCPOA within the regime

Iranian politicians across the political spectrum hold different stances on the JCPOA, and post-JCPOA scenarios will be heavily influenced by previous stances of the various power blocs, depending on whether it deemed the JCPOA to be an achievement or a setback. For instance, the JCPOA was a personal achievement of president Hassan Rouhani and in the event of escalatory steps by Iranian leadership in response to the US withdrawal, it is he that will be the most politically affected. Rouhani has imbued the JCPOA with pledges of economic improvement that have not occurred. Foreign companies and investors are still reluctant to do business in Iran. One can plausibly assume that the trends such as capital outflow from Iran, and a shortage of foreign investment, will accelerate now that US sanctions on Iran have been reimposed. It is very likely that Rouhani will now be seen to have failed in his pledge to improve the life of Iran's people.

The hardliners, meanwhile, have throughout seen the JCPOA as an Iranian "surrender" to the diktat of an international community that is manipulated by Iran's enemies. In their view, the JCPOA gave nothing to Iran and was not worth maintaining. Those who harbor this view do not link economic hardships to international sanctions. For that viewpoint, the JCPOA has served to stall the nuclear-program, without any benefit accruing to the Iranian economy.

It is noteworthy that some of these assumptions are not without foundation. It is true that most of Iran's economic problems stem from ineffective management, embezzlement and rampant corruption, and not from sanctions. However, many hardliners prioritise exploiting Rouhani's failure to deliver on his promises in order to increase their own influence than acknowledging this fact. This said, one should keep in mind that Rouhani is neither an outsider nor a reformist, but an integral part of the Iranian system. Indeed, it was his closeness to the Supreme Leader, and Khamene'i's tacit trust in his diplomatic skills, that made the JCPOA possible.

Possible scenarios following US withdrawal from the JCPOA

1. The EU members of the P5+1 officially abandon the JCPOA and join the US in reimposing nuclear sanctions on Iran.

Iran could announce that it refuses verification procedures contained within the framework of the JCPOA. Another step could include resuming centrifuge research and development activities, and constructing other nuclear facilities such as a plutonium heavy-water plant as existed in Araq. The most dramatic Iranian reaction would be the decision to resume uranium enrichment to a level close to 20 percent, the latter being defined by the IAEA as “highly enriched” and sufficient for military use.

This notwithstanding, the probability of the European countries aligning themselves with the hawkish position of the US administration is still very low. However, in view of the new conditions outlined when addressing the European countries set up by the Supreme leader, this scenario cannot be precluded completely in the long run. Most of the conditions are impossible to implement. In such an eventuality, the EU might be unwillingly forced into a collision with Iran. It is very difficult to assess whether the newly set conditions express Khamenei’s will to pull out Iran from the agreement, or whether he genuinely believes that the EU can enter into an open diplomatic and financial conflict with the US.

Risks for Iran: although Iran has no hesitations about misrepresenting obvious military activity as civil research, taking dramatic actions of the kind identified above could discredit Iran’s position, by providing retrospective evidence that the international community was right to suspect Iran of running a covert nuclear weapons program. As a consequence, this most extreme of reactions is not the most probable.

2. US takes a decision to fine those European juridical entities and companies who do business with Iran. The decision will have an impact primarily on the activity of those European companies who have interests in American markets.

Under this scenario, Iran would likely move to tighten ties with Russia and China as an alternative to the ties with the West. In that event, Western companies will prioritize business relations with the US over potential but theoretical gains in Iran.

Risks to Iran: Economic pressure on Iran will become stronger given that Iran will not receive Western investments. In turn Western companies will prefer existing business with the US to theoretical gains on Iranian markets.

3. Iran announces the withdrawal from the Non-Proliferation Treaty (NPT), without embarking on any physical activity.

Though a withdrawal from the NPT does not entail any practical measures, and would be an essentially symbolic move, it would also affect Iran’s image, because the withdrawal would signal that the issue at hand is a military one, which Iran has always tried to deny.

Risks to Iran: An Iranian withdrawal from the NPT would complicate Iran's relations with the International Atomic Energy Agency (IAEA). Although the withdrawal from NPT is mere declarative, it positions the perpetrator of the declaration as moving towards a military nuclear program. Iran has always made efforts to eliminate suspicion of it operating a nuclear weapons program.

4. An open conflict erupts between the US and Europe over the JCPOA, where both parties don't manage to come to terms over sanctions. As a result, the remaining P5+1 countries abide by the rules of the agreement. whereas the US leaves the deal.

Under this scenario, Iran can be expected to behave with utmost moderation, and abstain from warlike statements in the hope of strengthening ties with the EU and improving its image. In that event, Iran would seek to establish itself as moderate, responsible, and the party unfairly wronged, in contrast to a US administration dominated by war-mongers and 'Iranophobes'.

Risks to Iran: Notably, this scenario is risk free for Iran. Such behavior would be the most beneficial for Iran in terms of maintaining its diplomatic leverage, and widening the gulf between Europe and the US through moderate behavior and language. This would require nothing save abstaining from rabble rousing and praising Europe for its efforts. At the same time this development is the least probable, because it requires a form of genuine moderation that is alien to Iranian hardliners and the Supreme Leader.

Challenges Facing Iran

As mentioned above, the Iranian leadership threatened and hinted but did not disclose its plan of action in the event of the unraveling of the JCPOA. Foreign Minister Zarif mentioned that Iran was ready for any scenario and that it could resume enrichment to 20 percent. President Rouhani said that the US will regret the JCPOA scrapping. However, these were not statements that captured the full spectrum of opinion within the regime. It is noteworthy that irrespective of any scenario and Iranian reaction, the Iranian economy is currently in dire straits, which in turn entails even bigger risks for stability in the short and in the long run. Any Iranian reaction from the above list will only exacerbate economic problems, should Iran opt for an escalatory reaction.

Despite its economic troubles, Iran still has solid currency reserves, and some macroeconomic indicators are rather positive. The resentment over economic issues is real, but grass-roots feelings of desperation are not evidence of an imminent economic collapse. This notwithstanding, the regime will experience difficulties in "branding" extreme reactions as necessary. For example, it is widely known that nuclear activity is very expensive. When it is carried out overtly as "retaliation", it will need to be justified to the public, which will be difficult for the regime.

Although financial assistance to Hezbollah and Iraqi militias does not really exert impact on Iranian domestic problems, many people perceive it as wasting of Iran's resources abroad, for little real purpose. Pressure on Iranian banks will grow irrespective of the JCPOA status, which will make dollar transactions more difficult for the local banking system. Although Iranian politicians like to talk about an alternative economic alliance with Russia and China (which would also encompass the renouncing of the dollar as a transaction currency), no serious

economic experts consider that option as realistic. Russia produces no major exports goods except hydrocarbons and weapons, whereas China will not enter into economic projects that are unprofitable. In this regard, China's behavior contrasts with Russia's: Russian companies act first of all as geopolitical entities or as the economic muscle of Russian foreign policy, and stand ready to conclude contracts that make little economic sense but that bring political influence.⁹

Intensification of attacks against American interests in the Middle East would be the most dangerous outcome of the JCPOA unraveling. International affairs expert Mohsen Jalilvand evoked this possibility, making reference to Javad Zarif's statement that "at any rate Iran has various tools. For instance, we have much influence in Yemen, Iraq, Syria and Lebanon and we can take advantage of these tools".¹⁰ However one should bear in mind that Iran is already acting firmly against American interests everywhere it can. Iran does not fully control Iraq, but it controls its intelligence services who have become more reluctant to share intelligence with the US. It also controls the most important Shia militias, now gathered into the officially approved structure of the Popular Mobilization Units, and set to emerge as a significant political force following the May elections. From this point of view, further escalation is a continuation or intensification of an already existing pattern and not a new development. By the same token, Iran could resort to major cyber-attacks against the US and Saudi Arabia. Yet the decision to launch such attacks would be taken upon concrete given calculi and not only to penalize the US or Saudi Arabia for the JCPOA collapse.

The future of oil prices is a matter of major concern for the EU. Prices could go up following the US abandonment of the JCPOA. But they are likely to rapidly return to their current level.¹¹ Only a military conflict in the Gulf would be likely to increase the prices in the long term.

Proceeding from that, the most probable scenario for Iran would be a middle path between Rouhani minded moderate conservatives and hardliners. If the position of European governments is not that adopted by the Trump administration, the Iranian response will not be extreme either. It is plausible to assume that the Iranian reaction will combine elements of all the above-mentioned scenarios, with the most 'decisive' action being at the declarative level. For instance, Iran could announce the construction of new centrifuges (which was not outlawed by the JCPOA) and a return to enrichment, but without actually taking the necessary steps to do so. If sanctions are imposed on the ballistic missile program, Iran could likewise declare its determination to continue this program. However, the ballistic program already exists, just as the fact that Hizballah's arsenal contains missiles that can easily cover all Israel's territory. Moreover, there is little chance that the US will persuade the UN to sanction the ballistic program.

⁹ The great Russian oil game in Iraqi Kurdistan, 19 April, Reuters. <https://www.reuters.com/article/us-rosneft-iraq-insight/the-great-russian-oil-game-in-iraqi-kurdistan-idUSKBN1HQ1R3>

¹⁰ برجام از آمریکا خروج از پس ایران سناریوهای، <https://goo.gl/ETt8zT>

¹¹ For example, a major incident could occur in Hormuz straits if Houthis or Iranians decide to block the Hormuz straits or to hit an oil tanker. Such an event will likely create panic on markets which would usher in price fluctuation. However, such an event can occur without any connection to the JCPOA unraveling.

Conclusion

Iran is plagued by a worsening economic situation and social discontent. The Rial is plummeting, risking further inflation, and thereby undermining Rouhani's greatest achievement after the JCPOA. Irrespective of President Trump's decision to withdraw from the JCPOA, major Western investments in Iran had been limited, which makes the popular clamor for economic relief unachievable in the near future. Most of these problems are caused by deeply rooted reasons such as embezzlement, mismanagement and rampant corruption. Therefore, the regime cannot assuage these hardships without drastic reforms which are impossible without reforming the regime itself.

At a regional level, Iran has achieved multiple gains in all the four countries where it exerts influence to a different extent: in Syria, Lebanon, Iraq and Yemen. Although Iran is far from being omnipotent or an occupying power in those countries, it has capacity to act from those four theaters against the interest of the US and its allies. This said, Iran has already been managing proxy wars. Therefore, one can regard the possible Iran inspired backlash against the US from these regions not as a new event, but as an intensification of the already existing trend.

Iran will take its final decision on the JCPOA having observed the American decision and reaction. The abandonment of the JCPOA by the US leaves Iran with several options. Moderate conservatives aligned with President Rouhani and Foreign Minister Javad Zarif, and hardliners grouped around the Supreme Leader Ali Khamene'i and the IRGC, command opposite visions of the JCPOA. Rouhani views it as a diplomatic asset whereas the IRGC consider it a setback. In the meantime, Khamene'i remains suspicious although he consented to Rouhani's moves in 2015 which resulted in the JCPOA.

Iran's reaction will depend heavily upon the stance of the EU: if the European powers align themselves with the US position, Iran will consider both the US and the EU as "the West" united in its hostility towards Iran. By contrast, Iran's reaction will be relatively moderate if Europe adopts an independent course and collides with the US. In that event Iran will likely choose a middle path between a non-reaction and extreme reaction. Judging by the Iranian leadership's capacity to calculate risks, they will choose a form of behavior that, on the one hand will preserve Iranian self-respect, but which does not oblige the West to react, or enable it to prove that Iran has always been lying with regard to its nuclear program.

Alex Greenberg is a Ph.D. candidate at Tel-Aviv University, where his doctoral work focuses on religious thought in Iranian history. He previously worked as an Iran analyst at the IDF's Military Intelligence Directorate (AMAN), and as a geopolitical analyst in the private sector. He is fluent in eight languages, including Persian and Arabic.

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